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SUBJECT: DFM LOSYUKOV ON SIX-PARTY TALKS, AFGHANISTAN AND
IRAN

Classified By: Ambassador William J. Burns. Reasons 1.4 (B/D).

11. (C) Summary. In a September 12 meeting with Ambassador DFM Losyukov expressed satisfaction that the Six-Party Talks had made progress toward the ultimate goal-- the denuclearization of the Korean peninsula. He believes the Six-Party Beijing Plenary is likely to start on September 19, and will be followed by an October 31 ministerial. Losyukov expressed a general interest in working together on the disposal of the North's spent nuclear fuel. Losyukov reported little progress on the North Korean debt issue, but noted that the GOR has approved a twenty million dollar aid packet to the DPRK and supply of crude oil to Pyongyang in accordance with the February 13 agreement. He previewed President Putin's October 16 visit to Iran and said that the GOR plans to revisit areas of cooperation but, in response to the Ambassador's concern over the unhelpful message that would send to the Ahmadinejad regime, insisted that the GOR did not intend to expand its bilateral ties. Losyukov criticized Finance Minister Kudrin for delays in Afghan debt relief, as well as for circumscribing the GOR's fulfillment of its Six-Party obligations. Losyukov focused on the deteriorating situation in Afghanistan and suggested bringing more parties into the equation, while reiterating President Putin's proposal for an international conference. End summary.

Six-Party Talks: Next Steps

12. (C) DFM Losyukov told the Ambassador September 12 that the GOR is pleased with progress made in the Six-Party Process. He expected an official announcement soon from the Chinese organizers of the September 19 Plenary meeting and the October 31 Ministerial in Beijing. Both the Ambassador and Losyukov agreed that the most important goal remained the denuclearization of the Korean peninsula. Losyukov requested more detailed information on the September 1-2 Geneva U.S.-DPRK bilateral Working Group and expected a timely comprehensive report from the U.S.-China-Russia expert team, currently on a study mission to North Korea.

13. (C) Per Losyukov, much depends on U.S. preparedness to fulfill its "promises," including the removal of North Korea from the list of sponsors of terrorism. The freezing of the North's nuclear programs -- "more or less disabled" -- "would not be bad" for the finalization of the first stage. The Ambassador asked Losyukov about potential GOR interest in working together for the disposal of North Korea's spent nuclear fuel (SNF) -- an idea originally broached to the GOR by then U/S Joseph. Losyukov considered the project a "convenient way" for the GOR to contribute to the Six-Party Process. One caveat, according to Losyukov, is that the tight-fisted Ministry of Finance (MOF) will not easily subscribe to any program requiring GOR funding. Losyukov expressed his frustration with the MOF which had reluctantly released \$20 million in aid to North Korea, one of Russia's February 13 obligations. The GOR's initial hesitation to

join the U.S. and China expert team's visit to the North's nuclear facilities stemmed from the MOF's fear that participation might automatically entail further financial obligations.

14. (C) DFM Losyukov characterized the Russia-DPRK bilateral relationship as "unchanged" with "little DPRK openness." According to him, there have been some signs that the North was disappointed with Russia, notably with the GOR's participation in the embargo, and Kim Jung Il had been less accessible to GOR officials in recent months. The DFM thought that A/S Hill's effective working relationship -- "under the circumstances" -- with DPRK chief negotiator Kim Ke Guan served an important purpose. He reported little progress on the North's debt issue, but noted that there will be another consultative meeting soon.

Iran: Mottaki in Moscow; Putin to Teheran

15. (C) Losyukov confirmed Iranian FM Mottaki's September 12 meeting with the Russian Federal Atomic Energy Agency (Rosatom)'s Sergey Kiriyeenko and added that the hastily arranged visit was at Iranian request, despite FM Lavrov's planned absence from Moscow. The DFM affirmed that Putin would participate in the October 16 Caspian Summit and would possibly meet with Iranian President Ahmadinejad. Russia and Iran have enjoyed a "special relationship" based on the bilateral agreement signed during the Soviet era. With more countries to contend with in the Caspian after the break-up of the Soviet Union, there was a need to regulate Caspian sea activities. The Summit's main agenda will be on the delineation of responsibilities in the Caspian Sea.

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16. (C) Losyukov insisted that Putin's Iran visit had no political agenda, but would focus on unfulfilled areas of cooperation such as problems in transportation and communication, including a project to create a communication alliance along the north-south corridor of the Indian Ocean. The Ambassador expressed strong concern about the signal which increased Russia-Iran cooperation might send at a moment when Tehran was still defying the UNSC. The DFM said that there would be no new programs.

Afghanistan, India and Pakistan : Brewing Problems; Delicate Moment

17. (C) DFM Losyukov told the Ambassador that the GOR is increasingly dissatisfied with the current situation in Afghanistan; forty percent of Afghan territory is controlled by the Taliban and drug production increases every year. U.S./EU efforts are failing, with no clear solutions in sight, he added. The GOR is not interested in competing with the U.S. and EU, but suggests a broader compass, to include Central Asia, Pakistan, India and Iran. Losyukov was unclear on when the Russian narcotics liaison officer would arrive in Kabul. He vented his frustration with Minister of Finance Kudrin. According to Losyukov, the Afghan debt discussions started 5-6 years ago and are only now approaching the final stage. Losyukov said that GOR officials should understand that Afghan insolvency is one of the consequences of the Russian involvement in Afghanistan.

18. (C) Losyukov maintained that foreign involvement, particularly military engagement, creates uneasiness among the Afghans, a sentiment exploited by Al Qaida and the Taliban. He suggested involving Muslim countries in the discussions. President Putin had proposed an international conference on Afghanistan during the August Bishkek Summit of the Shanghai Cooperation Organization (SCO). The GOR is soliciting U.S. input on this, he added.

19. (C) The GOR values India's interest in the SCO and

considers India an "absolute ingredient" in regional stability. Losyukov stressed that Pakistan is facing a delicate moment but it is difficult to imagine any good alternative to Musharraf. The Ambassador emphasized the implication of developments in Pakistan for Afghanistan. Burns